# Markets: Beating Volatility

A PRIMER

The Economic Times, Ahmedabad, Saturday, 5 September 2020

### **Market Trends CNX Nifty** 11333.85 111111 1.68 MSCI INDIA MSCI EM 0.73 MSCI BRIC MSCI WORLD 10410.16 Nikkei Hang Seng

BOND (%) **DUBAI CRUDE** GSEC 2030 YIELD' 43.58

AU	20inte cuange	Coupon 5.79%
GOLD	RATE	
	US (\$/Oz)	India (₹/10Gm
OPEN	1938.00	50865.00
LAST*	1946.90	50905.00
Prev ch	g (%) 0.47	0.32
FOREX	RATE (7-S Exch	ange Rate)

73.38 73.14 Source: Bloomberg, MCX, ETIG Market on Twitter@ETMarkets

LAST\*

### China Allows for Stronger **Yuan as Focus** Turns to Home

Bloomberg

Beijing is allowing faster gains in the yuan as it seeks to cheapen imports and bolster weak consumer spending.

That's one theory touted by DBS Bank and Mizuho Bank, who say a stronger yuan is ideal for Beijing at a time when Chinese President Xi Jinping is pushing for a more self-reliant economy. That marks a shift from when officials worried that a strong vuan would undercut the nation's exports to the world.

The daily currency fixings show China's equanimity to ward accelerating gains in the vuan, with the central bank refraining from sending clear warning signals to traders. That's even as the yuan gained nearly 5% since late May versus the dollar to its highest level in more than a year. The fixings - a tool the PBOC often uses to limit currency strength — have generally been tracking the market higher

as the dollar has weakened. A stronger exchange rate also helps remove a flashpoint in relations with the US, with President Donald Trump having long accused China of keeping the yuan artificially weak. Additionally, domestic banks will be more inclined to hold a currency that would help Beijing reduce the financial sector's reliance on the

# Sensex Plunges 634 Points; Nifty Cracks Below 11,350

Indo-China tensions, rising cases of Covid, global market correction hit sentiment

Mumbai: Domestic equity benchmark Sensex crashed 634 points on Friday, tracking losses n index majors Reliance Industries, HDFC and Infosys amid a selloff in global equities. The 30share BSE index ended 633.76 points or 1.63% lower at 38,357.18. The NSE Nifty plunged 193.60 points or 1.68% to close at 11.333.85. Axis Bank was the top loser in

NTPC, Bharti Airtel, ITC and ICI-TCS finished with gains. According to traders, domestic markets followed the massive sel-

the Sensex pack, shedding over

1%, followed by Tata Steel, SBI

loff in global equities. Stock exchanges on Wall Street ended with heavy losses in overnight session led by a carnage in technology stocks.

Prashant.Mahesh

Mumbai: SBI Small Cap Fund

will accept lump sum invest

ments only till September 7. Af-

terwards, the fund house will on-

ly accept investments through

(SIPs) capped at ₹5,000 per month per individual. The fund

had only recently opened the

scheme for lump sum invest-

ments on March 30, after the

sharpfall in the markets on acco-

unt of fears of Covid-19. At that

time, it had indicated it will ac-

cept lump sum investments till it

mobilises another ₹1.000 crore to

its assets. The sharp rally in the

markets, as well as inflows from

HNI investors who felt valua-

tions in the space were cheap led

to the assets moving up sharply

There are size constraints in ma-

naging a small cap fund. Hence, in

the interest of investors, we will

stoplump sum investments," said

'Valuations have risen sharply.

to ₹4,270 crore by July-end.

stematic investment plan

Following suit, bourses in sing cases of infections, global Shanghai, Hong Kong, Tokyo and market correction and valuations Seoul ended up to 1.25% lower. On the other hand, stock ex- market, he added

changes in Europe opened on a positive note. Through the week, the market remained cautious on weakerthan-expected GDP number and lacklustre GST collections even though PMI and auto sales showed some improvement, said Sanjeev Zarbade, VP PCG Research, Kotak Securities

Indo-China border tensions, riare the key risks to the domestic

SIPS TO BE CAPPED AT ₹5,000 A MONTH AS VALUATIONS HAVE RISEN SHARPLY

Accept Lump Sums Post Sept 7

did not accept lump sum invest-

mentsfrom October 2015 to March

2020 and investors could only put

Financial planners believe in-

vestments in small cap funds sho-

uld be made with a time frame of

at least 8-10 years, as volatility co-

uld be high and stock values could

remain low for periods of four to

"Investors should not jump into

there are no meaningful opportu- and JK Ce

money through SIPs.

five years at a stretch.

DP Singh, executive director, SBI the fund with lump sum invest-top three hol-

Mutual Fund. The PE of the NSE ments because the fund house dings in the Small Cap 50, which fell to 13 in will stop accepting it. This move scheme are PI

now, after the sharp rally in the believes valuations are high and

Earlier too, SBI Small Cap Fund nities in the space," says Gajend-

SBI Small Cap Fund Not to

## **Rupee Settles 33 Paise Higher** at 73.14 against US dollar

Mumbai: Snapping the two-day losing streak, the rupee rebounded by 33 paise and settled at 73.14 (provisional) against the US dollar on Friday, even as the domestic equity market was trading with significant losses.

At the interbank forex market, the domestic unit opened on a strong note at 73.38 against the US dollar, then gained further ground and closed at 73.14 against the American currency, registering a gain of 33 paise over its previous close. During the trading session the local unit witnessed high volatility and touched an intra-day high of 73.01 and a low

of 73.47 against the greenback. On Thursday, the rupee slumped 44 paise to close at 73,47 against the US dollar as rise in demand for the American currency from oil importers weighed on currency market sentiment. Meanwhile, the dollar index, which gauges the greenback's strength against a basket of six currencies, was trading 0.03 per cent higher at

Foreign institutional investors were net buyers in the capital market as they purchased shares worth Rs 7.72 crore on Thursday, according to exchange data. Brent crude futures, the global oil benchmark, rose 0.52 per cent to USD 44.30 per barrel

# Oil Holds Above \$44. Heads for Weekly Drop on

Oil held above \$44 a barrel on Friday and was on course for its biggest weekly decline since June as weak demand figures added to concern over a slow re covery from the COVID-19 pan-

AU.S. government report sho wed that domestic gasoline de mand fell in the latest week Middle distillates inventories at Asia's Singapore oil hub hahigh, official data showed. Brent crude, the internatio nal benchmark, was up 30 cents, or 0.7%, at \$44.37 by 1130

GMT, heading for a 1.5% drop

this week. U.S. West Texas Intermediate (WTI) rose 36 cents, or 0.9%, to \$41.73, though WTI's advance looks unlikely to prevent its first weekly drop in five.

**Demand Worries** 

of your securities.

TO DO IN THE NEW SYSTEM? Brokers are pushing clients to

pledge a portion of their shanever clients decide to do a quick trade, they are not found

**Chaos on Street** 



**Share Pledge and** 

Investors and brokers have been grappling with the chaos tial margin. triggered by the implementation of the new norms on pledging and unpledging of shares introduced by the Securities and Exchange Board of India (Sebi). ET takes a look at what

WHAT IS THE NEW PLEDGESY-

caused the confusion and the

Sebi recently introduced a rule that investors must bring in upfront margins-a deposit-for every trade they do. Margins can be in the form of cash or idle shares lying in the demat account that would be pledged. Till recently, brokers took a Power of Attorney (PoA) from clients — individual investors -that allowed them access to the clients' demat account.

This allowed brokers to move the shares to a separate account for the purpose of collateral. With Sebi banning the use of PoA for this purpose because of misuse of inactive demat accounts by some brokers, clients now have to pledge the shares directly with the systems of the depositories — NSDL and CDSL - in favour of the broker. Depositories are safe-keepers

WHAT ARE INVESTORS REQUIRED

wanting for the mandatory ini-

All the old pledges had to be removed and the new pledges we re to be created from September 1. Brokers had managed to get extensions twice. They thought Sebi would give another extension, but the regulator refused. The new systems with the depositories were not in place. Bro kers said the new system at the depositories could not take the

### load of the new share pledges. HOW WERE INVESTORS IMPAC-

While shares were pledged, it did not show up on the brokers' systems, denying investors opportunities to trade. Investors. who pledged their shares as per the new system, were unable to remove the shares from the pledge. As the crisis deepened. client reports from the clearing members could not be genera

#### HAS THE PROBLEM BEEN RESOL-

In a joint statement by depositories and clearing corporations on Friday, they said Whilst significant amount of ve seamlessly been processed since September 1, 2020, we expect the new margin pledge process to stabilise in the coming week and the transition res. This is to ensure that whesaid the disruptions continu-

# Liquidity, Rate Cuts not Enough to Keep Market Rates Low'

Saikat.Das1@timesgroup.com

Mumbai: Surplus liquidity and rate cuts are not sufficient to keep the mar ket rates low for long given that inflation is on the rise, said Arun Srinivasan, executive vice president - head of fixed income, at ICICI Prudential Life In-

If inflation doesn't ease, the RBI may be forced to take its first step on unwinding as early as February with an increase in reverse reporate "We are practically at the bottom of the

interest rate cycle," said the fund manager who managers Rs 94,000 crore in debt assets. In February 2021, the market could see an increase in reverse repo as a first sign of a changing interest rate

"Any further interest rate cut from current levels is unlikely to push credit growth. It is the risk aversion prevalent in the market now that needs to change for reversing the sentiment," Sriniva-

The latest steps from the RBI at the aggressive levels is a positive affirmation that the central bank would come with full might whenever it is required. It instils confidence in the market that more measures can be expected from

rising, said the head of fixed income at the insurance company. 'Market is keenly looking at how the government will fund its fiscal deficit for this financial year," he said. The economy was anyway in a slowdown before the onslaught of the Covid pandemic. The lockdown has further worse-

RBI if yields continue to show signs of

ned the situation. It is broadly expected that the deficit from the GST collections will be quite substantial for the year. Given this backdrop, the second half borrowing by the government will be the key determi nant of the trajectory of bond yields from here on," he said.

RBI's held-to-maturity move could increase demand for government bonds from banks. The regulator can tinker with the statutory liquidity ratio. While these measures would be helpful for the government to raise funds from the market, it will defeat the basic purpose of lending to businesses, Srinivasar

It is quite surprising that the bonds of state governments, including financially sound states such as Tamil Nadu. Telangana, and Kerala are trading at

yields higher than the bonds of some of the top-rated public sector companies. State governments have limited sources of revenues in the light of the ongoing COVID pandemic. It is widely expected that the borrowing requirement of the states for this fiscal year will be huge, he said.

This concern is weighing on the yields that the market is demanding from the states. An open market operation by RBI for states, in line with central government bonds, can lift the sentiment for state bonds, Srivasan said.

'While surplus liquidity has helped all non-banking finance companies, prima rily this liquidity has helped them with just their refinancing needs," he said.

## SHORT-DATED CALLS GO BUST AMID CARNAGE

# **Day Trader Option Frenzy Turns** Ugly in \$730B Nasdaq Rout

Thursday's Nasdaq nosedive dispensed painful lessons in how options-market leverage can blow up in an investor's fa-

Losses in benchmark indexes were brutal enough, getting to 6% in the Nasdaq 100, or about \$730 billion erased. In single-stock equity contracts they were downright existential, with some instruments wiped out in the space of a few hours. Volumes in puts and especially calls has been exploding in recent weeks. much of it in the tiny lot sizes denoting individual traders.

While it's never hard to pick out staggering losses in options when markets tumble, and plenty of examples exist of well-timed puts, today's losses were par

ticularly harrowing for the longs. A call for a lot of these neophyte investors," sawith a \$125 strike price on Apple Inc. shaid Alon Rosin, Oppenheimer's head of res, expiring tomorrow, plunged 89% as institutional equity derivatives. "When shares sank 8% to \$121. A bullish wager for Tesla Inc. to reach \$500 by Friday's expiry lost 90% as the stock dropped 9% to \$407. And a call on Zoom Video Communications Inc. with a strike price of \$420 became essentially worthless as shares

The hazards of a badly timed options trade are severe. How well understood they are by newbie traders is a point of debate on Wall Street, where veterans have looked on with skepticism as tiny traders spent August brandishing evidence of their winnings on Twitter. Whether small-time day traders foresaw the risks or not, they understand them better after Thursday. "It's probably the first feeling of pain

were they going to get burned? You're seeing that today.'

The presence of individual investors in the options market has been growing Volumes for single stock options with less than two weeks to maturity now make up 69% of options volume, not far off a peak of 75% in late July that was a record in Goldman Sachs data going back to 2013. The short-dated nature of the contracts is a tell-tale sign of retail traders.

according to BTIGLLC. "The retail investor has been a very strong buyer of upside call options, the short-dated weeklys, monthlys," Julian Emanuel, chief equity and derivatives strategist at BTIG, said on Bloomberg

# Marvel

ra Kothari, founder, Etica Wealth

SBI Small Cap Fund, managed

by R Srinivasan, is one of the best-

performing funds after having re-

turned 22.42% over the last one

Management.

three years and

five years, it has

returned 8.6%

spectively. The

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NOTICE OF THE 24th ANNUAL GENERAL MEETING THROUGH VC/OAVM, BOOK CLOSURE, CUT OFF DATE AND E-VOTING

NOTICE is hereby given that, in view of the continuing COVID-19 pandemic and in accordance with the Circular No. 20 dated May 5, 2020 read with Circular No. 14 dated April 8, 2020 and Circular No. 17 dated April 13, 2020 (hereinafter collectively referred to as "MCA Circulars") issued by Ministry of Corporate Affairs ("MCA") for holding of AGM through VC or OAVM without the physical presence of Members at a common venue, the 24th Annual General Meeting (AGM) of the Members of Marvel Decor Limited will be held on Tuesday, September 29, 2020 at 10:00 AM IST through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") to transact the

Businesses set out in the notice. In accordance with the above mentioned MCA Circulars and SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020, the Notice of AGM along with Annual Report 2019-20 is being sent through electronic mode only to those Members whose email addresses are registered with the Company/Depositories as on Friday, August 28, 2020. Member may note that Notice and Annual Report 2019-20 have been uploaded on the website of the Company at www.marvellifestyle.com, website of National Stock Exchange of India Limited at www.nseindia.com and website of National Securities Depository Limited (NSDL) i.e.

In light of the MCA Circulars, the shareholders who have not submitted their email addresses and as consequence not received Notice of AGM and Annual Report 2019-20, may temporarily get their e-mail addresses registered by following the procedure given below

In case shares are held in physical mode, please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to cs.meera.gudka@marvellifestyle.com.

In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to cs.meera.gudka@marvellifestyle.com.

Alternatively member may send an e-mail request to evoting@nsdl.co.in for obtaining User ID and Password by proving the details mentioned in Point (a) or (b) as the case may be.

The Register of Members and Share Transfer Books of the Company will be closed from Wednesday, September 23, 2020 to Tuesday, September 29, 2020 (both days inclusive) for the purpose of AGM. Members whose names are recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on Wednesday, September 23, 2020 ("Cut-off date"), shall only be entitled to avail the facility of remote e-voting as well as e-voting on the date of AGM.

Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rules made thereunder (as amended) and Regulation 44 of SEBI (LODR) Regulations, 2015 (as amended) and above mentioned MCA Circulars, the Company is providing facility of remote e-voting and e-voting on the date of the AGM to its Members in respect of the businesses to be transacted at the AGM. For this purpose, the Company has availed service of

The remote e-voting will commence on 9:00 AM on Saturday, September 26, 2020 and will end on 5:00 PM on Monday, September 28, 2020. During this period, the members of the Company holding shares as on Cut-off date may cast their vote electronically (Remote E-Voting). Members may note that a) the remote e-voting module shall be disabled by NSDL after the aforesaid date and time for voting and once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently; b) the facility of e-voting shall be made available at the AGM; and c) the members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM, but shall not be entitled to cast their vote again. Detailed procedure for remote e-voting/e-voting is provided in the Notice of the AGM.

Any person, who acquires shares of the Company and become member of the Company after dispatch of the Notice of AGM and holding shares as on the cut-off date, may obtain the login ID and password by sending a request at evoting@nsdl.co.in. However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote.

In case of any queries for e-voting, you may refer the Frequently Asked Questions (FAQs) for Shareholders and evoting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or send a request at evoting@nsdl.co.in. Members may also contact Company Secretary by

writing an e-mail to cs.meera.gudka@marvellifestyle.com for any further clarification. Members can attend and participate in the AGM through VC/OAVM facility only. The instructions for oining the AGM are provided in the Notice of AGM. In case the shareholders/members have any queries or issues regarding participation in the AGM, you can write an email to evoting@nsdl.co.in or Call at: - Tel: 1800-222-990. Members attending the meeting through VC/OAVM shall be counted for the purposes of

Place: Jamnagar Date: September 4, 2020

reckoning the quorum under Section 103 of the Companies Act, 2013.

For, Marvel Decor Limited Ashok R. Paun

Chairman & Managing Director (DIN 01662273)

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